

# State Planning Project For the Uninsured

---

## Michigan Employer Health Insurance Survey Executive Summary

August 2006

Prepared by the Center for Collaborative Research in  
Health Outcomes and Policy  
Michigan Public Health Institute



A project supported by the US Department of Health and Human Services, Health Resources and Services Administration (HRSA), and the Michigan Department of Community Health

## Acknowledgements

---

***Prepared for and Edited by:***  
Michigan Department of Community Health



***Prepared by:***  
Michigan Public Health Institute  
Center for Collaborative Research in Health Outcomes & Policy

***Authors:***  
Christopher Wojcik, M.P.H.  
Marti Kay Sherry, M.B.A.  
Molly Polverento, M.S.Ed.  
Elaine Beane, Ph.D.  
Shannon Laing, B.S.



This report was prepared by the Center for Collaborative Research in Health Outcomes & Policy at the Michigan Public Health Institute with funding from the Michigan Department of Community Health, under a grant from the U.S. Department of Health and Human Services, Health Resources and Services Administration (HRSA).

*MDCH is an Equal Opportunity Employer, Services and Program Provider*

# **Michigan State Planning Project for the Uninsured Employer Health Insurance Survey**

## **Executive Summary**

### **Introduction**

Michigan workers have traditionally depended on their employers for health insurance coverage. This link between employment and access to health insurance coverage may, however, be threatened by rising health insurance costs, coupled with the state's economic challenges. This report describes the current status of employer-sponsored health insurance coverage in Michigan and describes employer attitudes about providing health insurance to their employees.

#### **The Michigan Employer Health Insurance Survey**

This report was created for the Michigan State Planning Project for the Uninsured, which was funded by a grant from the U. S. Department of Health and Human Services, Health Resources and Services Administration. The purpose of this project is to develop realistic strategies to make health insurance coverage accessible to all Michigan residents. Information about the current status and future viability of employer-sponsored health coverage is needed for policy decisions aimed at extending coverage. Toward that end, the Michigan Department of Community Health (MDCH) contracted with the Michigan Public Health Institute (MPHI) to collect information on employer-sponsored coverage to design an effective coverage expansion plan.

Under that contract, MPHI developed the Michigan Employer Health Insurance Survey (MEHIS), which was conducted from August through November, 2005. The survey focused on 12,000 randomly-selected businesses located across the state, 1,261 of which returned their completed questionnaires.

Of the businesses that completed the survey, 60% reported that they offer health insurance coverage to at least some of their employees, and 40% reported that they do not offer insurance.

This summary compares the general characteristics of employers that offer health insurance coverage to those that do not. Then, separate profiles for each employer group are given, and finally, attitudes and opinions of employers relative to health insurance issues are discussed.

### **Comparison of Employers Offering and Not Offering Coverage**

#### **Type of Industry, Length of Time in Business, Gross Revenue and Size of Business**

Among employers responding to the survey, 83% of government entities offer insurance to at least some of their employees, as do 75% of manufacturers, 64% of health care providers, 60% of general merchandise and clothing stores, and 51% of personal or business service employers. In contrast, 42% of employers involved in farming or ranching offer health insurance to at least some of their employees, followed by 40% of employers that run food stores and 37% of employers operating eating and drinking establishments.

The longer a company has been in business, the more likely it is to offer health insurance. The percentage of employers who offer health insurance ranges from 25% for employers that have been in business for less than two years, up to 74% for those in business more than 20 years.

With the exception of the very smallest businesses, the percentage of employers who offer health insurance increases with gross revenue, ranging from 11% of employers with gross revenue between \$10,001 and \$50,000, to 85% of those with gross revenue of more than \$500,000.

The more employees a business has, the more likely it is to offer health insurance. The percentage of employers who offer health coverage ranges from 31% of employers with less than five employees to 98% for those with more than 100 employees.

### **Workforce Characteristics: Full-time/Part-time, Gender, and Earnings**

The likelihood that employers offer health insurance varies by their percentages of full-time versus part-time workers, the percentages of males and females in their workforce, and the income of their workers. Employers with large percentages of full-time workers and small percentages of part-time workers are more likely to offer health insurance. On average, employers who offer health insurance have 74% full-time, 20% part-time, and six percent seasonal and temporary workers, compared to 53% full-time, 37% part-time and 10% seasonal and temporary workers for employers who do not offer health insurance.

Businesses that offer health insurance average 54% male and 46% female workers, compared to 48% males and 52% females for those that do not offer health insurance.

Employers offering health insurance typically pay higher wages. More than two-thirds of employees that work for companies that offer health insurance earn more than \$20,000 per year, while only about one-third of the employees that work for businesses that do not offer coverage earn more than \$20,000. Additionally, benefits such as vacation, holiday and sick leave, retirement/pension plans, and life insurance are more frequently provided by employers that offer health insurance than by those who do not.

## **Profile of Employers Offering Health Insurance**

### **Employers Cover Full-Time Employees and Their Dependents**

Health insurance is more frequently offered to full-time employees and their dependents than to part-time employees and their dependents. Comprehensive health insurance is the most common type of coverage offered to employees and their dependents.

### **Retiree Coverage**

Almost one in five employers who offer insurance to employees also offer Medicare supplemental or health insurance coverage to at least some retirees over the age of 65, and nearly 17% cover at least some retired employees under the age of 65. Those who cover retirees generally cover retirees' dependents, too.

### **Eligibility Requirements for Employer-Sponsored Health Insurance Coverage**

Nearly 87% of employers that offer health insurance require workers to be employed three months or less before becoming eligible for health insurance coverage. Twenty-two percent of employers offering health insurance require employees to work less than 30 hours per week to be eligible for coverage. Almost half require employees to work from 30 to 39 hours per week to be eligible and the rest require employees to work at least 40 hours each week to be eligible for health insurance.

### **More Employees Eligible for Coverage than Enrolled in Employer-Sponsored Plans**

On average, employers that offer health insurance report that 75% of their workforce is eligible for their company health insurance plan, but only 61% are enrolled. However, 83% of employers that offer health insurance report no change in the percentage of employees declining coverage over the past three years. Most employers (78%) say the major reason employees decline coverage is that they're covered through a spouse's health insurance plan. Other

common reasons employees decline to enroll are that they have insurance from a source other than their spouse, or they cannot afford the premiums.

About one-fifth of employers offering health insurance require their employees to show proof of health insurance coverage before allowing them to decline enrollment in their company's health insurance plan. Almost a third of employers that offer health insurance provide compensation to employees who decline their company's coverage. Almost 85% of employers that offer health insurance to workers also cover their dependents.

### **Plans Employers Offer and How Much Employers Pay Toward Premiums**

Three-quarters of employers offering health insurance offer only one plan. Nearly 20% offer two or three plans and about five percent offer four or more plans. The most commonly offered plans are preferred provider and point of service (PPO/POS) plans, followed by health maintenance organization (HMO) and traditional fee-for-service plans (FFS).

Nearly 73% of employers that offer health insurance pay between 76% and 100% of the premium cost for their full-time employees and 53% pay the same percentage for dependents of full-time employees. Only three percent pay nothing toward premium costs for their full-time employees and 27% pay nothing toward the premium for dependents of their full-time employees.

Twenty percent of employers who offer health insurance self-insure a portion of their employee health insurance plan. In general, the more workers an employer has, the more likely the employer is to self-insure. The percentage of employers who self-insure ranges from 11% for those with less than five employees to 77% for employers with more than 500 employees.

### **Why Employers Offer Health Insurance**

Major reasons employers offer health insurance include:

- "It is the right thing to do" (90%);
- "It increases loyalty and decreases turnover" (85%);
- "It helps with employee recruitment" (84%);
- "Employees demand or expect it" (79%);
- "Competitors offer it" (70%);
- "It increases productivity by keeping employees healthy" (70%);
- "It reduces absenteeism by keeping employees healthy" (69%); and,
- "Employer wants or needs it" (59%).

This profile is based on the responses of employers that offer health insurance coverage to at least some of their employees. When asked why they offer health insurance to some but not to all of their employees, most respond that the "cost of insuring additional workers is too high" (64%), some state that "most have insurance from another source" (45%), and "it's not necessary to attract the number and quality of workers needed" (42%). Fewer still indicate, "Workers do not stay long enough to qualify" (35%).

## **Profile of Employer Not Offering Health Insurance**

### **Why Employers Do Not Offer Health Insurance to their Employees**

Nearly 92% of employers not offering health insurance report that the high cost of health insurance premiums is an important reason they did not offer coverage and 74% strongly agree that they would be more likely to offer health insurance if costs weren't so high. Almost as many would be willing to offer coverage if changes in premiums were more predictable.

Employers' responses as to why they do not offer health insurance to their workers were as follows:

- Financial status of the company (79%);
- Employees are unwilling to contribute to the cost of premiums (66%);
- Employees are covered under another plan (64%);
- Employees can't meet insurance participation requirements (52%);
- Most employees are part-time, temporary or contractual (52%); and,
- It is not needed to attract good employees (50%).

Few employers see a negative impact on employee recruitment and retention, attitude and performance, or on employee health and absenteeism as a result of not offering health insurance to their employees.

## **Attitudes and Opinions of Employers Offering and Not Offering Coverage**

### **Sharing the Responsibility for the Cost of Health Care**

Among employers offering health insurance, 68% agree with the statement that employers should be required to offer health insurance to employees, even if the employer pays little or nothing toward the premiums. In comparison, 50% of employers not offering coverage agree with this statement.

However, substantially fewer employers (28%), offering health insurance agree that employers should be required by law to provide health insurance for their employees. Only 14% of employers not offering health insurance agree that it should be required by law.

Many employers not offering health insurance report they would be willing to make monthly contributions toward premiums to cover their employees. About two-thirds would be willing to pay some amount toward employee health insurance premiums, with the majority willing to pay \$200 or less per month per employee; eight percent are willing to pay more than \$200 per month per employee. These employers believe their employees would not be willing to contribute toward health insurance premiums, and only 13% think their employees would be willing to forego a pay raise to obtain health insurance coverage.

Sixty-four percent of surveyed employers who offer, and 70% of employers who do not offer health insurance agree that state funds should be used to make health insurance more affordable for lower-wage workers.

### **The Future of Employer-Sponsored Plans**

Of employers who offer health insurance to their workers, six percent report it is somewhat likely and three percent report it is very likely they will not offer coverage next year. In addition, 62% of these employers think it is very or somewhat likely they will shift more of the premium costs to their employees in the next year. More than half might switch to another insurance provider; 48% might reduce benefits; and 44% report it is likely they will offer a high deductible plan with a health savings account. More than 16% of these employers reported it is likely or somewhat likely they will eliminate or reduce dependent coverage.

On the other hand, some employers not currently offering health insurance believe they may offer it to their employees within the next year. Three percent report their companies are likely to offer health insurance, and 10% report their companies are somewhat likely to offer coverage within the next year. However, 87% report that it is not likely their companies will offer health insurance within the next year.

Some employers not offering health insurance to their employees had offered coverage in the past. Of 468 employers responding, one-fifth (94) indicate their companies had offered health insurance at one time. Of these 94 employers, nearly 32% had offered health insurance within the previous two years, 38% had offered it three to five years ago, and 30% had offered coverage more than five years ago.